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SERBIA-
MONTENEGRO

Implementation of U.N.
Economic Sanctions



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**National Security and
International Affairs Division**

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The Honorable Edward M. Kennedy
United States Senate

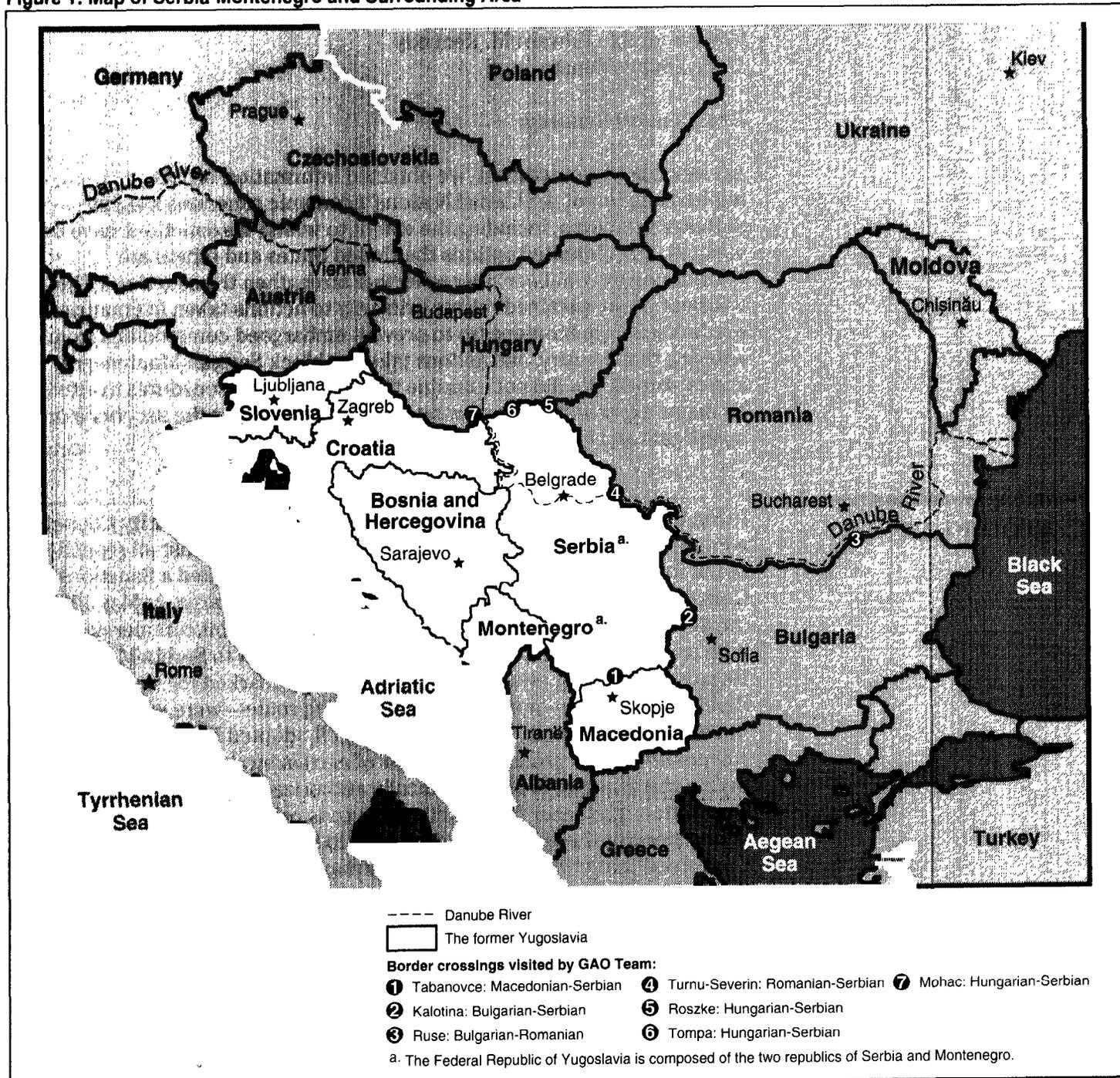
Dear Senator Kennedy:

In response to your request, we obtained information on the implementation of the United Nations' economic sanctions against Serbia-Montenegro, including the extent to which the sanctions have been violated, and identified options the United States and others are considering or could consider to further strengthen the sanctions. The information we obtained relates primarily to actions taken in countries bordering Serbia-Montenegro to prevent embargoed commodities from entering that country, and actions taken to block Serbian-Montenegrin assets abroad. We did not examine the policies and procedures instituted by major exporting and importing countries to enforce the sanctions or to investigate and take legal action on suspected violations.

Background

In September 1991, because of ethnic conflict, the U.N. Security Council adopted Resolution 713 to impose an arms embargo against all republics of the former Yugoslavia, and in December 1991 it created a Sanctions Committee to monitor the implementation of the embargo. In May 1992, the Security Council adopted Resolution 757 to prohibit commercial trade with and transfers of funds and economic resources to Serbia-Montenegro. Because of growing evidence that commodities marked for transit through Serbia-Montenegro—a major regional trading route—were entering but not exiting the country, the Security Council adopted Resolution 787 in November 1992 to prohibit the transit of certain strategic goods through Serbia-Montenegro, unless specifically authorized by the Sanctions Committee. The Security Council resolutions call on U.N. member states, acting alone or through regional entities, to implement the sanctions. Concerned that transiting commodities may continue to be diverted to Serbia-Montenegro, the Sanctions Committee placed a particular responsibility for enforcing the sanctions on the bordering countries. (See fig. 1 for a map of Serbia-Montenegro and surrounding area.)

Figure 1: Map of Serbia-Montenegro and Surrounding Area



Results in Brief

Although international implementation of U.N. economic sanctions has evolved slowly, the sanctions have contributed to disrupting the Serbian economy and signaling international condemnation of the country's aggressive policies toward other republics of the former Yugoslavia. However, the sanctions have not caused the country to abandon those policies.

The sanctions have been violated and have not prevented some strategic products—petroleum, for example—from reaching Serbia-Montenegro. There have also been hundreds of other suspected, but unproven, violations. The European Community and other member countries of the Council for Security and Cooperation in Europe (CSCE) have been less stringent than the United States in blocking Serbian assets.¹ The U.N. Security Council Sanctions Committee was not effectively carrying out its responsibilities for monitoring how U.N. member states were implementing the sanctions and investigating alleged violations. Furthermore, there was no integrated international mechanism for monitoring the sanctions' implementation, identifying and documenting weaknesses, or formulating recommendations for corrective action.

The bordering countries of Hungary, Romania, Bulgaria, and Macedonia lack the necessary systems, procedures, facilities, and equipment to enforce the sanctions. Neither the United Nations nor individual countries of the international community have provided sufficient assistance to the frontline countries to help them enforce the sanctions. Moreover, the United Nations has not responded to these countries' concerns about economic losses resulting from the sanctions.

At the time of our field work, the adoption of new sanctions had little support within the international community, but there is support for better enforcement of existing sanctions. The United States, the European Community, and the United Nations are considering several options, including improving the monitoring of goods transiting Serbia-Montenegro; increasing resources and technical assistance to the border countries; tightening financial sanctions; and increasing investigations, prosecutions, and publicity to deter violations.

¹CSCE comprises 52 member nations, including all European nations, the United States, and Canada, that seek to find the root causes of conflict and resolve problems of mutual concern.

Effectiveness of the Sanctions

The key objectives of the U.N. economic sanctions are to (1) register the international community's displeasure with Serbia-Montenegro's aggressive policies, (2) demonstrate its resolve to stop them, and (3) apply pressure on Serbia-Montenegro to meet U.N. demands to cease outside aggression and interference in Bosnia and Herzegovina. The first objective has been achieved in that the international community signaled its condemnation of the country's aggressive policies toward other republics of the former Yugoslavia. Some argue that the passage of the resolutions in the Security Council demonstrated the international community's resolve to stop these aggressive policies. Others argue, however, that resolve is demonstrated through aggressive enforcement of the sanctions. We found that although some actions have been taken to enforce the sanctions, they have been insufficient. Clearly, the pressures placed on Serbia-Montenegro to date have not resulted in a change in the country's aggressive policies.

The Serbian economy is suffering a significant disruption. By some accounts unemployment is above 50 percent, inflation is 100 to 200 percent a month, and productivity has fallen by 25 percent. Some factories have stopped operations, and some sectors' regular markets have collapsed. Fuels for heat are scarce, and the civilian population faces hardships. The sanctions' precise impacts on the Serbian economy could not be determined as other factors, including civil war, are also having effects, but U.S. officials believe the sanctions have contributed significantly to the economy's disruption.

According to senior U.S. officials in the region, despite this disruption, the economy has shown remarkable resilience, and the hardships on the population have not been sufficient to deter the government from its aggressive policies. Moreover, these officials believe the government is not apt to change its policies based on the effects of more stringently enforced sanctions. They did not discount the value of the sanctions as a political symbol of international resolve, however. This assessment is consistent with our prior reviews on sanctions, in which we concluded that sanctions in most cases have not forced the target country to change its policies but have served to uphold international norms by punishing the target country for unacceptable behavior.²

In considering the effectiveness of the sanctions, it should be noted that large parts of Bosnia and Croatia are under Serb control but are not subject to some of the economic sanctions' provisions. Their borders that

²Economic Sanctions: Effectiveness as Tools of Foreign Policy (GAO/NSIAD-92-106, Feb. 19, 1992).

adjoin Serbia-Montenegro are not controlled; thus, goods could be diverted to Serbia-Montenegro through the two republics.

The Sanctions Committee Has Not Fulfilled Its Responsibilities

The 15-member Sanctions Committee is responsible for monitoring implementation of the sanctions, considering member countries' applications for exemptions from the sanctions, providing guidance on and interpretation of the resolutions, obtaining and considering information on violations, and recommending appropriate responsive measures to the Security Council.³

The Committee has not taken an active role in monitoring the sanctions' implementation. For example, although individual countries provided reports on their measures to implement the sanctions, as required by Resolutions 757 and 787, the Committee did not examine the reports or help the countries identify additional actions to improve implementation of the sanctions.

The January 1993 implementing guidance for Resolution 787 requires the Committee to review each request for approval to ship sanctioned goods through Serbia-Montenegro and asks the receiving country to inform the Committee of shipment arrivals and diversions. In the first 6 weeks of 1993, the Committee received an estimated 2,000 formal requests for approval to ship sanctioned goods through Serbia-Montenegro. However, Committee officials had not tracked how many requests it had received and granted or where the requests had come from. Moreover, while some countries informed the Committee when they received shipments, the Committee did not question those countries that did not respond.

The Sanctions Committee, which is charged with obtaining information on alleged violations, does not regularly receive reports of suspected violations from international observers stationed in the region and has confirmed only two violations—a breach of the arms embargo by an Iranian aircraft and the illegal trade of pharmaceuticals between Serbia and Slovenia. As of January 1, 1993, the Committee had asked 29 member countries to investigate 45 suspected violations; it had received 12 responses.⁴ The Committee had not made any recommendations to the Security Council concerning the violations or suspected violations,

³The countries that are members of the Committee are the same countries that are members of the U.N. Security Council.

⁴The Committee also requested investigations by 31 member states concerning 3 reported violations of the arms embargo submitted by Serbia-Montenegro, but received only 19 responses.

although the Committee's charter calls on it to make such recommendations.

The Committee did not have a list of all confirmed or suspected sanctions violations to refer to when considering requests to ship products. Rather, the Committee relied on individual countries to advise it on the requests, and it has automatically approved requests if no member country objected.

In establishing the Sanctions Committee, the Security Council requested that the Secretary General provide all necessary assistance to the Committee and make arrangements in the U.N. Secretariat for that purpose. The Committee's January 1993 implementing guidance for Resolution 787 created a huge administrative burden by requiring that the Committee, in addition to its other responsibilities, review each request for approval to transit goods through Serbia-Montenegro. We found that the Committee staff of two persons was overwhelmed with its work load requirements.

Some Countries Have Not Blocked Assets of Serb-Owned Entities

Countries have interpreted and implemented Resolution 757 differently. The United States has applied the strictest interpretation by blocking Serb-owned assets worth an estimated \$525 million. Most countries have only blocked the transfer of funds to Serbia-Montenegro. As a result, Serbian companies can still transfer funds around the world and continue to engage in commerce, thus circumventing the sanctions. According to the U.S. Treasury Department and other sources, many countries have not blocked Serbian-owned assets because (1) their bank secrecy and other laws make it difficult to identify the assets and (2) they are concerned about the impact of strict enforcement on legitimate commerce.

Border Countries Lack Enforcement Capabilities

Although the U.N. sanctions resolutions and implementing guidance place the bulk of the responsibility for enforcing the sanctions on the border countries, their relatively weak economies and emerging governmental systems constrain their abilities to do so. These countries have relatively unsophisticated Customs Services that lack adequate facilities, equipment, and communications systems to adequately enforce the sanctions along their borders. Further, their legal structures reportedly do not include strong provisions for combating suspected violations. For example, suspect shipments are merely turned back, rather than detained or seized, apparently because Customs Services lack the authority to impound such shipments. Thus, violators could try to make the same shipments later.

(For more information on the border countries' enforcement of the sanctions, see app. I.)

Assistance to Border Countries Has Been Limited

Despite repeated requests from the frontline countries for international assistance to enforce the sanctions at the border and on the Danube River, response to their needs has been slow. Some small amount of assistance had been provided bilaterally and multilaterally outside U.N. auspices, and as of February 28, 1993, the United States had provided Bulgaria, Hungary, and Romania \$25,000 each for enforcement efforts. Other nations provided little additional direct assistance. According to U.N. and other officials, individual countries, including the border countries, are expected to do the best they can to enforce the sanctions.

The sanctions have also had a deleterious impact on the border countries, all of which are emerging democracies with fragile economies that depend on trade with and through the former Yugoslavia. Some of these countries have requested consultations on compensation for damages under the U.N. charter.⁵ The governments' estimates of their economic losses during the second half of 1992 range from \$300 million in Hungary to \$7 billion in Romania. According to government officials in Hungary, Romania, and Bulgaria, the United Nations has not responded to their requests. These officials said that any further tightening of the sanctions may further harm their countries' economies.

Multilaterally, the United States and the European Community led an effort within the CSCE to send observers to assist the Customs Services of several border states. Beginning in October 1992, these observers—known as Sanction Assistance Missions (SAM)—were positioned in the border countries, except Bosnia and Slovenia. SAMS, each of which consists of 5 to 15 customs officers from contributing CSCE members, offer their host countries advice and technical assistance on how to implement the sanctions. They have no direct authority or enforcement responsibilities, however.

SAMS are linked by voice and facsimile to the SAM Communications Center in Brussels, Belgium, and often possess the only dependable communications capability in the region. SAMS report suspected violations to the Communications Center, which refers them to appropriate national authorities for investigation. The effectiveness of SAMS has been

⁵Under article 50 of the charter, any state may consult the Security Council to resolve special economic problems resulting from preventive or enforcement measures against another state.

constrained by their small size relative to the task, limited resources, frequent staff rotations, and the voluntary nature of each country's contribution.

In addition to SAMS, the North Atlantic Treaty Organization (NATO) and the Western European Union⁶ placed a joint naval task force in the Adriatic Sea to deter violations of the sanctions. Under Resolution 787, the task force can use armed force, if necessary, to stop ships. Because the Adriatic is considered international waters, the task force's presence does not impinge national sovereignties.

Evidence Indicates Significant Violations of the Sanctions

Despite the efforts of the border countries and their SAMS, available evidence indicates that sanctions have been violated. Although no one can determine the frequency or magnitude of the violations, evidence leads us to agree with European and U.S. officials in the region that violations are frequent. During our review, a Greek tanker loaded with 6,000 tons of petroleum coke entered the port of Bar, Montenegro, and five Serbian barge convoys, loaded with 35,000 tons of petroleum products, forced their way up the Danube River into Serbia. These are examples of major violations, but the many suspected minor violations are likely to have had an equally damaging effect on the sanctions.

U.N. member countries are responsible for investigating suspected violations by their citizens. As of January 28, 1993, the Communications Center had compiled 772 suspected violations and referred 1,173 requests for investigation to the appropriate countries. NATO and Western European Union forces had reported 39 suspected violations. The records of suspected violations are incomplete because some countries have not recorded cases where suspected violators have been turned away at the border. U.S. intelligence agencies also compile data on suspected violations, but they said they would not provide us a list because to do so would expose their sources and methods. (See app. II for additional information on violations.)

⁶The Western European Union was founded to strengthen European peace and security by coordinating a common defense policy and encouraging European integration. Its members are Belgium, France, Germany, Italy, Luxembourg, the Netherlands, and the United Kingdom.

Options Under Consideration to Tighten Sanctions

On February 10, 1993, the U.S. Secretary of State announced a six-point peace initiative for Bosnia. One of the six points in the plan is to tighten the enforcement of economic sanctions. To strengthen the sanctions, the United States and the European Community have developed options that fall into four categories:

- Limit diversions through better monitoring of transit goods. This monitoring could entail providing better documentation, placing monitors with shipments, and restricting traffic.
- Expand the size of SAMS and increase resources to the border countries.
- Tighten financial sanctions to further constrain the movement and use of Serbian assets.
- Increase investigations, prosecutions, and publicity to strengthen deterrence of violations.

Under Resolutions 762 (June 30, 1992) and 769 (Aug. 7, 1992), the Security Council is considering using the U.N. Protection Force in Croatia and Bosnia to monitor and control Customs activities. Such use of the Force would help close a gap that has allowed trade with Serbia-Montenegro to continue. However, the Secretary General reported in December 1992 that to set up a force in Bosnia to perform such an operation would cost almost \$700 million in the first 6 months. According to U.N. officials, the Security Council is considering Bulgaria's request to provide an international presence to stop violations on the Danube River.

During our visit to the region, our interviews with various officials surfaced several potential options to better deal with sanctions violations. These include (1) establishing reliable communication links among entities involved in enforcement, (2) providing facilities and equipment to border countries to enable them to inspect and monitor suspected violations, (3) doing prompter investigations of suspected violations by European Community states, (4) asking member states to periodically report on the results of those investigations, (5) increasing the number of SAMS in border countries, (6) developing alternative routes to bypass Serbia, and (7) helping the border countries strengthen their legal systems. Some of these options are under active consideration by the U.S. State Department and the European Commission, while others may not be.

Representatives of the border countries, the European Community, and the Sanctions Committee indicate that they support strengthening the enforcement of existing sanctions, but they offer little support for additional sanctions or a full blockade, even though many agree that this

would perhaps be the only way to completely stop violations. They believe that gaining the Security Council's approval of a blockade would be too difficult and that a blockade would cause too great an economic disruption in the region.

Agency Comments and Our Evaluation

In commenting on a draft of this report, the Department of State concurred with our findings and conclusions and specified a number of actions the administration has taken or plans to take to strengthen sanctions against Serbia-Montenegro. These include

- reaching agreement with the European Commission and the CSCE on U.S. proposals to improve sanctions enforcement in areas such as streamlining transshipment authorizations, tightening inspections, limiting border crossing points, enhancing the SAMS' capabilities, and investigating and prosecuting sanctions violations;
- increasing assistance to the front line states to bolster their ability to implement the sanctions, including allocating \$1.45 million for equipment and technical assistance;
- increasing efforts to tighten the financial sanctions and establish international links to monitor transactions by key Serbian-controlled firms; and
- urging passage of a new U.N. Security Council Resolution designed to strengthen the sanctions and close loopholes in the current embargo.

Based on our earlier field work, we believe the actions taken or planned will improve the enforcement of existing sanctions. However, we do not know whether these actions will be sufficient to dramatically reduce the flow of embargoed goods into Serbia-Montenegro. The new sanctions resolution currently under consideration by the Security Council is necessary, in our view, to substantially reduce the sanctions vulnerabilities, particularly with respect to the volume of transit traffic across Serbia and Serbian barge traffic along the Danube.

Scope and Methodology

We interviewed and obtained documents from officials of the United Nations, the U.N. Sanctions Committee, the Departments of State and the Treasury, and the U.S. intelligence community. In Hungary, Romania, Bulgaria, and Macedonia, we interviewed host government officials, SAM personnel, and U.S. embassy officials. We also observed Customs operations at border-crossing areas in these four countries.

We conducted our review between December 1992 and March 1993 in accordance with generally accepted government auditing standards. The Department of State provided comments on a draft of this report, which we have reprinted in full in appendix III. We discussed the information in the report with program officials of the Department of the Treasury and have incorporated their comments where appropriate.

We are sending copies of this report to the Secretaries of State and the Treasury and interested congressional committees. We will also provide copies to others upon request.

This report was prepared under the direction of Harold J. Johnson who can be reached at (202) 512-4128 if you or your staff have any questions. Other major contributors to this report are listed in appendix IV.

Sincerely yours,



Frank C. Conahan
Assistant Comptroller General

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Abbreviations

CSCE	Council for Security and Cooperation in Europe
EC	European Commission
NATO	North Atlantic Treaty Organization
SAM	Sanctions Assistance Mission

Enforcement of the U.N. Sanctions in States Neighboring Serbia-Montenegro

During our fieldwork, we reviewed sanctions enforcement in Hungary, Romania, Bulgaria, and Macedonia. In this appendix, we describe how these four countries were enforcing the sanctions.

Bulgaria

Bulgaria shares approximately 300 kilometers of its western border with Serbia (see fig. 1). Western Bulgaria is mountainous, with two major and two minor road crossings into Serbia. The major east-west road and rail route, which handles traffic from Turkey and beyond to western Europe, crosses into Serbia at Kalotina. About 250 of Bulgaria's 2,450 Customs Service staff cover the entire western region.

During a visit to the border crossing at Kalotina, we found that Customs officials were relying on Customs seals on truck cargoes unless the truck's paperwork was suspicious. Customs officials were recording the dates, vehicle numbers, and paperwork numbers for truck crossings but were not recording the trucks' contents. They also were not retaining copies of shipping documents. Customs officials told us that while they felt that Resolution 757—the general embargo on imports and exports—had been violated, they felt that there had been only a few violations of Resolution 787—the embargo on specific strategic goods. They were not recording information on suspected violations. During our visit, Sanctions Assistance Missions (SAM) officials in Bulgaria told us they were introducing a form for the Customs Service to use in recording information on suspected violations.

At Kalotina, Customs officials had no computers, facsimile machines, or communications equipment, beyond a telephone, which we were told was often unreliable. Customs officials said border posts often operate all day without any form of communication.

A high-level Customs official told us that a major problem with sanctions enforcement is what to do with vehicles and cargoes stopped at the borders for suspected sanctions violations. He said it is very difficult under Bulgarian law to prove sanctions violations in court, so the normal practice is to simply turn cargoes away at the border crossings. He added that clarification of how to dispose of vehicles and cargoes found violating the sanctions would lead to stronger enforcement of the sanctions.

Bulgarian Customs officials told us they do not possess boats to enforce sanctions along the Danube River but rather rely on local port authorities to communicate with passing boat traffic. If the boats do not come into the

river ports for inspection, Customs does not usually inspect them. Customs officials at Ruse, a Bulgarian city on the Danube River, told us they inspect only the boats that voluntarily stop at the port or those referred to them by the local port authority. However, in late January 1993, Customs officials did attempt, unsuccessfully, to stop five Serbian barges sailing up the Danube River toward Serbia. Bulgarian officials stated that they believe they did all in their power, consistent with the U.N. resolutions, to stop the barges. They said they feared that the use of force to stop the barges could result in military reprisals from Serbia or an environmental disaster along the Danube if one of the barge captains carried out his threat to blow up his cargo if attacked. (These Serbian barges are also discussed on p 20.) The principal outside assistance to Bulgaria is the German-led SAM, which included nine members from Germany, Switzerland, and the United States. U.S. Embassy observers credited the SAMs for playing an important role in sanctions enforcement in Bulgaria.

The Bulgarian government moved promptly to implement the U.N. sanctions against Serbia-Montenegro, including forbidding all Bulgarian trade with Serbia. However, the incident with the five Serbian convoys on the Danube River illustrates the enforcement problem. Violation of the sanctions could be repeated because the Bulgarian government has indicated that it does not intend to use force to prevent violations of the sanctions on the Danube River. Bulgarian government officials told us they had asked the United Nations to place an international observer force on the Danube River to deal with subsequent sanctions violations.

Hungary

Hungary shares with Serbia a 170-kilometer land border that is crossed by the Danube River. Hungary has two major rail crossings and two major road crossings into Serbia. Hungary also uses the port at Mohacs on the Danube River to cross into or out of Serbia. The port is approximately 13 kilometers from the actual border. In addition, for local traffic, Hungary has small border-crossing posts that are barred to commercial truck traffic. Hungary's Customs Service has about 4,000 uniformed staff and 1,000 civilian support staff. At a major road border crossing—Tomba—Customs had a staff of 48, divided into 4 shifts. According to Hungarian Customs officials, in roughly the first 8 months of 1992, the Customs staff at the Tompa border crossing processed 130,000 trucks and 4 million passengers. They also indicated that during weekends as many as 900 trucks a day can seek to enter or exit.

Hungary's Customs officials told us that their first and main check for sanctions violations is a review of the paperwork of transit shipments arriving at the border. They said that even the task of checking paperwork presents obstacles. For instance, shipments entering Hungary sometimes have forged certificates of origin from Bosnia and Macedonia. A SAM-Hungary official noted the U.N. permits allowing the transit of banned goods across Serbia are themselves confusing. They are not regularly numbered customs documents that apply to specific shipments and have no expiration date. Customs officials stated that they are not notified of shipments in advance, and attempting to confirm information on a shipment from Customs units in bordering countries is difficult because they lack communications equipment. They said the telephone was generally unreliable.

Customs stated that they inspect every fifth shipment, usually by opening the end of the truck and inspecting the contents at the back. In performing this task, which is done outdoors, Customs officials often lack flashlights, work gloves, and rain gear. If Customs wishes to inspect the truck further, it cannot do so at the border. They also pointed out that (1) the border crossing usually lacks space to move a truck from the lane of traffic; (2) there is no ramp or forklift for unloading a shipment; and (3) a Customs official would have to escort a truck away from the border, leaving the border post shorthanded.

We found a similar situation at Mohacs. The Customs post had no equipment to unload barges to inspect their contents or even tools to open sealed containers. In addition, the Customs post had no boats to stop and inspect boats that did not come into port but instead had to rely on the local police authority.

Customs officials reported that in most cases they turned back from the border shipments they suspected of violating the sanctions. A Customs official stated that Hungarian law is not sufficiently severe to discourage sanctions violators. Usually, no attempt is made to prosecute them. When violations are prosecuted, the violator is usually fined; jail sentences are rare, and the vehicle is not confiscated. At worst, if the fine is not paid, the impounded shipment is confiscated.

The SAM in Hungary is led by the United Kingdom and has a staff of nine, with members from the United Kingdom, Denmark, the Netherlands, and Sweden. SAM team members are often at a given border for only 3 to 4 hours at a time. However, at one major border post, a SAM team member is

always on call, day or night. Observers emphasized the positive effect on enforcement when SAM team members are present at the border.

The Hungarian government reports that it has effectively cut off imports and exports from Serbia. According to government officials, however, Hungary still has a problem policing transit shipments exiting or entering Serbia. Of about 5,000 border movements in January 1993, Customs turned back about 700 shipments, according to Hungarian authorities. Between September 1992 and January 1993, Customs began prosecutions of about 40 suspected violations. Despite these accomplishments, a high-level Customs official estimated that as many as 50 percent of the violators are not detected.

Macedonia

In January 1992, Macedonia asserted its independence from the Federal Republic of Yugoslavia. It has not been recognized by the European Community, the United States, or the United Nations, primarily because Greece opposes the new republic's use of the name Macedonia, which is also the name of the northern part of Greece. This lack of recognition has complicated communications between Macedonia and the U.N. Sanctions Committee.

Macedonia has a northern border with Serbia with well established commercial, communications, and rail and road links. Initial posts on the Macedonian-Serbian border were created in June 1992, but the border remained essentially open until late November 1992. After the arrival of the SAM team members in late November 1992, the Macedonian government began to make an effort to regulate border traffic and to enforce the U.N. sanctions. A foreign ministry official stated that Macedonia has banned the import of Serbian goods and exports to Serbia. However, according to international observers, some Serbian goods continued to be available in the Macedonian capital, Skopje.

The Macedonian government has identified its own country's economic problems as the greatest obstacle to enforcing the sanctions. The collapse of the Yugoslav market and the ensuing civil war, along with the economic sanctions, have resulted in the loss of both markets and trade routes for Macedonia. For instance, 90 percent of the cars manufactured in a Macedonian factory had been sold in Serbia, but the sanctions prohibit such sales. In addition, Macedonia's export of wine to Slovenia has been disrupted because the normal trade route transits Serbia.

In early February 1993, we visited Tabanovce, a major road crossing point on the Serbian border, and found the border post still under construction but in operation. We were told by SAM officials that Macedonia had trained approximately 140 new Customs officials for the new border posts and that, typically, 12 to 14 officials were to be on duty for 12-hour shifts to regulate traffic in both directions. At Tabanovce, Customs officials checked paperwork on trucks passing through but inspected a truck's cargo only if the papers led to suspicion of violations. Since no ramps or equipment such as forklifts were available, unloading a truck would have been difficult and time-consuming. SAM officials told us that Macedonian law has no provision for charging individuals violating the sanctions. Apparent violators were merely turned back from the border. Refusal of either entry or exit was not stamped on a truck's papers. Moreover, Customs keeps no records of trucks that were turned back, although the SAM has requested that it begin to do so. Finally, some border points do not have Customs posts. SAM officials stated that the roads approaching these border posts cannot support heavy commercial traffic, but according to another SAM official, the traffic of light trucks on these roads appeared to be significant.

The SAM in Macedonia is led by Canada. It has a staff of nine, with members from Canada, the United States, Norway, and Turkey. Team members visit the border posts every day for 3 or 4 hours. One of the SAM's important contributions is linking Macedonia with other border countries through the SAM Communications Center, which now allows verification of Macedonian certificates of origin for shipments arriving at other borders. Most of Macedonia's communication links with the rest of the world pass through Belgrade. Now that Macedonia is no longer part of the former Yugoslavia telephone links have become difficult.

U.S. government and other observers credit the Macedonian government with making an effort to enforce the sanctions. Macedonian officials see enforcement of the sanctions as a way of enhancing its credibility in its struggle to gain international recognition. SAM team members told us they have witnessed Customs officials turning shipments back because of sanctions violations. They said that the Macedonian government follows up immediately on the Communications Center's requests for investigations of firms supposedly operating in Macedonia. At the same time, U.S. and SAM observers believe that violations of the sanctions continue. They said that in some cases, Macedonia has shipped sanctioned goods before permission arrived from the U.N. Sanctions Committee. They pointed out that in other cases, the web of local commerce that existed

before the creation of an independent state continues. They are not sure what occurs when the SAM members are not on the border. The significance of Macedonia's economic crisis looms over any attempt to enforce the sanctions.

Romania

Romania shares with Serbia about a 450-kilometer border comprising the Danube River and a land frontier. The Danube River flows through Romanian territory for approximately 250 kilometers just before entering the Black Sea. The land border has three main road crossing points and two rail crossing points. A small number of other restricted crossing points exist for local traffic only. The level of road freight traffic is relatively low. A sample of traffic taken by an European Commission (EC) fact-finding mission on August 17, 1992, showed only 136 movements at the border. According to Customs officials, the number of movements has decreased since the imposition of Resolution 787. Romanian officials stated that all rail traffic has stopped. U.S. Embassy officials observed that rail and road traffic through Romania to Serbia is not significant.

From August 7 to 14, 1992, 43 movements in both directions occurred on the Danube River, according to the EC fact-finding mission. A movement could include a barge convoy, which usually consists of about five barges. U.S. Embassy officials identified Danube River traffic as the scene of significant transit traffic.

According to Romanian Customs officials, their personnel check the papers of all vessels stopping in Romanian ports. If they have any reason for suspicion, they search the vessel. However, they often lack equipment such as flashlights, rain gear, and equipment for unloading a vessel's cargo for inspection. Forgeries of documents, for example, U.N. permits, have become an increasing problem, but the Romanian Customs posts have no rapid method of communication to verify the validity of a vessel's papers. Romanian officials said they do not see a U.N. permit allowing a shipment to transit Serbia until the vessel actually arrives with the permit in its papers. Telephone communication is considered slow and unreliable and Romanian Customs has no long distance radio communication capability. As a result, a Romanian border post cannot easily communicate with the SAM, with other border posts, or with Customs in other border countries. In addition, Customs does not have computers to help record and track shipments.

According to Romanian officials, Romania has no formal agreement with Bulgaria regarding sanctions policing responsibilities on the Danube. Thus, for any vessels that do not enter a Romanian port, Romanian Customs must use the port authority's radio to ask what the vessels' cargo and destination are and ask the vessels to enter the port if the answers are not satisfactory. If Romanian Customs officials want to go onto the Danube River to interrogate a vessel's captain, they must borrow from the local port authorities boats, which are often in poor shape—unsafe, slow, and leaking. If a vessel resists interrogation or inspection, Customs must obtain the assistance of Ministry of Interior boats and troops to intercept the vessel. The Romanian government has indicated that it will not use force to require a boat to submit to inspection.

According to Romanian Customs officials, they have no basis in law for seizing shipments that violate the U.N. sanctions. They said that goods can only be seized if the shipment of them has broken Romanian law, for example, if they were shipped under a false manifest. More likely, Romanian customs will turn back a shipment that violates the sanctions.

The SAM in Romania is led by the United States. SAM has 15 members from 7 countries—the United States, Turkey, Germany, Austria, Italy, Greece, and Poland. Citing insufficient staffing, SAM members told us they are often at a Customs post for only a few hours at a time. SAM team members said they do not have standard equipment but depend only on what their governments have made available. For example, the United States provides satellite communication gear.

Since the imposition of sanctions, the Romanian authorities have announced the prohibition of all exports and imports of goods to and from Serbia. U.S. embassy personnel believe that Romania's overall record of enforcement has been good. However, despite Romania's goodwill, a Customs official stated that the Customs Office is not yet fully prepared to police the flow of goods into and out of the country. In mid-January 1993, in violation of the sanctions, five Serbian convoys carrying 35,000 tons of petroleum sailed up the Danube River through Romanian-Bulgarian waters to Serbian ports. Although Romanian and Bulgarian Customs officials coordinated a campaign to persuade the vessels to stop, Romanian officials, like their Bulgarian counterparts, did not attempt to use force to stop them. Romanian officials have stated that they will not force vessels to stop but would welcome an international presence on the Danube.

Sanctions Violation Data

Various international and U.S. organizations compile information about alleged and actual violations of the U.N. sanctions against Serbia-Montenegro. U.N. member states are responsible for investigating suspected violations by their citizens. The U.N. Sanctions Committee is responsible under the sanctions resolutions and relevant guidelines for obtaining information about alleged violations from member states. In addition, the SAMS in the countries bordering Serbia-Montenegro report suspected violations to their Communications Center in Brussels, Belgium. Finally, U.S. intelligence agencies also compile suspected violations data from a variety of sources. As of February 1993, many suspected violations had been reported and referred for investigation to the relevant countries, but far fewer investigations, and no prosecutions, had been completed by that time.

U.N. Sanctions Committee

According to a December 30, 1992, Sanctions Committee report, only two suspected violations had been confirmed. The first concerned a breach of the arms embargo by an Iranian aircraft delivering weapons and military equipment in Croatia. The second involved illegal trade of pharmaceuticals between Serbia-Montenegro and Slovenia. At the time of our review, the Sanctions Committee had sought, but had not received, explanations of the violations from the governments involved. Tables II.1 and II.2 depict the sources of reports and the countries involved in the 53 suspected and confirmed violations of the arms embargo or the economic sanctions reported by the Sanctions Committee.

Table II.1: Reports of Alleged or Established Violations (Through Feb. 28, 1993)

Source	Number
NATO/Western European Union	39
Individual countries	8
Serbia-Montenegro ^a	3
Press reports	2
U.N. protection forces	1
Total	53

^aSerbia-Montenegro alleged 3 instances of violations of the arms embargo (Resolution 713) by 31 different countries, including the United States. The Committee had received 19 explanatory replies as of December 30, 1992.

Source: U.N. Sanctions Committee Secretariat.

**Appendix II
Sanctions Violation Data**

Table II.2: Countries With Alleged Violations

Country	Requested Investigations	Country	Requested Investigations
Greece	11	Malta	4
Croatia	6	Lebanon	4
Italy	6	Panama	4
Ukraine	6	Iran	2
Serbia-Montenegro	6	Syria	2
Egypt	5	Russia	2
Honduras	5	Nigeria	2
Cyprus	4	Other	21
Number countries approached = 34		Number of approaches = 90	

Note: This list excludes the 3 suspected violations and 31 referrals cited in the table note in table II.1.

Source: U.N. Sanctions Committee Secretariat.

SAM Communications Center

The SAM Communications Center refers SAM reports, along with any available documentation, to relevant national authorities for investigation. In some cases, a single suspected violation may be referred to more than one authority (for example, the country of origin and the country of destination). Table II.3 lists the origin of the 772 suspected violations reported by SAMs as of January 28, 1993.

Table II.3: Suspected Violations Reported by SAMs (Oct. 15, 1992, to Jan. 28, 1993)

Country SAM	Number
Hungary	580
Romania	157
Bulgaria	28
Macedonia	7
Total	772

Source: SAM Communications Center.

Although the SAM in Hungary reported the majority of the suspected violations, actual violations were not necessarily occurring more in Hungary than elsewhere. Indeed, the opposite could be true. The disproportionate number of reports from Hungary can be attributed to a number of factors, but the key factor is that the Hungarian National Customs cooperated with the SAM in collecting and recording suspected

violations. All suspected violations, including traffic turned back at the border, were recorded and turned over to the SAM for entry into the data base. The other SAMS generally reported only suspected violations they witnessed or identified as a result of reviews of available records because Romania, Bulgaria, and Macedonia did not generally record suspicious vehicles turned away at their borders. Thus, in Macedonia, for example, since SAM team members were only present at one or two border crossings for a few hours each day, their records of suspected violations are likely to be incomplete.

Table II.4 lists 1,173 referrals of suspected violations to national authorities as of January 31, 1993. It shows that over one-quarter of the cases were referred to Macedonian authorities. Cases referred to Germany and Italy combined represent almost another quarter of the cases.

**Appendix II
Sanctions Violation Data**

**Table II.4 Communications Center's
Case Referrals and Replies (Oct. 15,
1992, to Jan. 31, 1993)**

Country	Number of referrals	Number of replies	Awaiting reply
Austria	47	10	37
Bosnia	105	98	7
Belgium	10	1	9
Bulgaria	13		13
Belarus	3		3
Switzerland	14	1	13
Cyprus	10	1	9
Czechoslovakia	8		8
Germany	140	7	133
Denmark	5	1	4
Spain	3		3
Finland	2		2
France	12		12
Great Britain	29	4	25
Greece	4		4
Croatia	8	5	3
Hungary	52		52
Israel	1		1
Italy	134	1	133
Luxembourg	1		1
Macedonia	324	33	291
Netherlands	13		13
Poland	8	1	7
Portugal	1		1
Romania	53	3	50
Russia	63		63
Sweden	75		75
Slovenia	5		5
Turkey	3		3
Ukraine	7		7
United States	6		6
British Virgin Islands	14		14
Total	1,173	166	1,007

Despite the high number of referrals, the response from national authorities has been limited. (See table II.5.) The SAM Communications

Center had received only 166 replies, or 14 percent of their referrals, and was awaiting 1,007 replies as of January 31, 1993.

**Appendix II
Sanctions Violation Data**

Table II.5: Status and Results of Replies to Requests for Investigation of Suspected Violations (Oct. 15, 1992 To Jan. 31, 1993)

Country	Violation determined	No violation	Company unknown	Forged document	Investigation continuing	Information unverifiable	More info. requested	Number of replies
Austria		7					3	10
Bosnia			5	93				98
Belgium					1			1
Bulgaria								
Belarus								
Switzerland		1						1
Cyprus					1			1
Czechoslovakia								
Germany	4	2			1			7
Denmark					1			1
Spain								
Finland								
France								
Great Britain		3			1			4
Greece								
Croatia	3					2		5
Hungary								
Israel								
Italy					1			1
Luxembourg								
Macedonia	7	12	6	7			1	33
Netherlands								
Poland		1						1
Portugal								
Romania		3						3
Russia								
Sweden								
Slovenia								
Turkey								
Ukraine								
United States								
British Virgin Islands								
Total	14	29	11	100	6	2	4	166

The SAM Communications Center received the most responses to referrals from Bosnia. Bosnia had been asked to authenticate customs papers indicating that goods originated from, or were bound for, a Bosnian company. In 93 of the 98 replies, Bosnia determined that the customs papers had been forged. Macedonia responded on 33 cases, which were often requests to check on the authenticity of a company. For other countries, however, the reason for the referrals varied according to the nature of the suspected violation and were generally more complicated than checking the authenticity of documentation or a company. For example, to substantiate a breach of sanctions in most western European countries, courts require prima facie evidence of intent to violate the sanctions. Often this requires a lengthy investigation and substantial documentation.

Accordingly, in only 14 instances have these national authorities informed the SAM Communications Center that they believed the sanctions had been violated. In these 14 cases, penalties were being pursued in the courts, but as of March 1993, the Communications Center was unaware of any convictions.

Comments From the Department of State



United States Department of State
Chief Financial Officer
Washington, D.C. 20520-7427

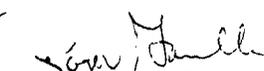
APR 15 1993

Dear Mr. Conahan:

Thank you for the opportunity to comment on your draft report, "SERBIA-MONTENEGRO: Implementation of U.N. Economic Sanctions," GAO/NSIAD-93-174, GAO Job Code 472321. Comments are enclosed.

If you have any questions on this issue, please call Victor Comras, Director, EB/ITC/EWT/Serbian Sanctions Task Force, on 647-6614 or 6616.

Sincerely,


Roger R. Gamble, Acting

Enclosure:
As stated.

cc:
GAO - Mr. Martin
State - Mr. Comras

Mr. Frank C. Conahan,
Assistant Comptroller General,
National Security and International Affairs,
U.S. General Accounting Office.

GAO REPORT
"Serbia-Montenegro: Implementation
of
U.N. Economic Sanctions"
(GAO/NSIAD-93-174, GAO Job Code 472321)

The GAO report provides a very useful survey of sanctions implementation and indicates a number of steps that might be taken to enhance enforcement measures. We share a great number of the conclusions reached by the authors of the study.

On February 10, 1993, Secretary Christopher announced a six-point plan the Clinton Administration has put together to work for a positive settlement in Yugoslavia. The third point in that plan called for a significant tightening of the sanctions on Serbia and Montenegro. An Interagency Task Force on Serbia Sanctions (IATF) was established in the Department of State on February 12, 1992, to support these efforts.

Since that time, we have proceeded on two tracks to increase the impact that sanctions are having on the Serbian economy and those responsible for it. The first track has been to significantly tighten the application and enforcement of the existing sanctions. The second is to consider what new, even more stringent sanctions measures could be applied through a new UN Security Council Resolution.

Our efforts to increase the effectiveness of the existing sanctions has focused on (1) the need to curtail the abuse of the transshipment exemptions to the embargo, (2) expansion of the Sanctions Assistance Missions and increased technical assistance to the frontline states to improve border controls, (3) better implementation of the financial sanctions, and (4) deterring violations through increased penalties, investigations and prosecutions.

The US/EC/CSCE Sanctions Liaison Group (SLG) meetings in Vienna on March 5 and April 2 approved a number of U.S. proposals to enhance sanctions enforcement, including measures to:

- streamline issuance of transshipment authorizations, improve description of commodities and reduce the possibility of fraud;
- tighten inspection of transit cargoes, humanitarian and UNPROFOR supply shipments;
- limit the number of border crossing points for commercial traffic;
- limit the use of Serbian-owned vehicles and other conveyances and to conduct close physical inspection of vehicles when registration, insurance and other documents indicate possible Serbian ownership;

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- expand SAMCOMM information gathering/processing capabilities; and
- increase the number of investigations and prosecutions for sanctions violations.

We have also been successful in getting increased technical assistance to the front line states to bolster their ability to implement the sanctions. Since February 10, the United States has allocated \$1.45 million for equipment and technical assistance related to the sanctions. This includes the provision of six specially designed customs patrol boats for use on the Danube. We will also provide training in river patrol techniques and boat operation and maintenance. The EC and European states have also begun to provide such assistance.

We are working closely with other EC and CSCE countries to expand the Sanctions Assistance Missions (SAMs). Our SAM expansion plan calls for the deployment of a minimum of 135 sanctions monitors in the front line states. This will permit 24 hour coverage at the key border crossing areas. For our part, we are increasing the US SAM commitment from 10 to 27 customs officers.

These measures are paying off. We are now able to check cargos loaded on barges in the Ukraine. The Romanians have closed the Iron gates locks to Serbian tugs and barges. Romania and Bulgaria have begun detaining Serbian tugs and suspicious barges and tugs. Greece has established its own Sanctions task force at Thessaloniki to monitor traffic to and from Serbia. The NATO/WEU fleet in the Adriatic has been strengthened and is reviewing its procedures to ensure its ability to interdict and detain suspect ships.

We have also had a good measure of success on our efforts to tighten the financial sanctions on Serbia and Montenegro, and to establish international links to monitor transactions by key Serbian-controlled firms.

Perhaps the most effective measures we can take against sanctions violations are those that deter potential violations. We are working hard to make sure that those who violate sanctions are identified, pursued and prosecuted. This includes impounding cargoes and conveyances used to violate the sanctions.

At the time of this writing, the Security Council, at the urging of the United States and others, is informally considering a new omnibus sanctions resolution which we hope will be adopted imminently. This resolution also addresses many of the issues raised in the GAO report.

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The new resolution includes a series of measures designed to strengthen the sanctions by closing loopholes in the current embargo. It would prohibit states from allowing goods to enter the territory of Serbia and Montenegro for the purpose of trans-shipment to another country without the express prior approval of the UN Sanctions Committee. It would require that trans-shipments on the Danube be permitted only if specifically authorized by the Sanctions Committee and that each vessel must be subject to effective monitoring. It clarifies the obligations of states to stop violations and to impound or detain Serbian freight conveyances and cargoes and transports violating sanctions.

Our enhanced efforts to prevent illicit trade with Serbia and Montenegro have had a significant impact. They have idled major sectors of the Serbian and Montenegrin economy. There is high unemployment, hyperinflation, and serious deterioration of infrastructure. Serbia and Montenegro are also in the grips of a growing banking crisis.

In our judgment, the economic costs imposed by the sanctions must inevitably be factored into the policy analysis of Serbia's leadership. The higher we can make these economic costs, the more likely sanctions will have their overall desired effect: convincing Serbia's leadership to play a constructive role in achieving a peaceful settlement in Bosnia.

Major Contributors to This Report

**National Security and
International Affairs
Division, Washington,
D.C.**

David R. Martin, Assistant Director
Richard J. Boudreau, Evaluator-in-Charge

European Office

Paul M. Aussendorf, Assignment Manager

**New York Regional
Office**

John E. Tschirhart, Assignment Manager
Mari M. Matsumoto, Evaluator

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